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Five critical tips for avoiding investment fraud

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In recent years, investment fraud has become big business in the United States. With our continued reliance on the internet for many of our securities and banking transactions, many Americans have become the target of investment scams. As an example, in 2011 a nationwide FBI sting operation nabbed 343 criminal defendants who scammed more than 120,000 victims out of \$8 billion through securities and commodities investments. Many scam artists have made big money targeting those most vulnerable in society – our senior citizens.

In a 2012 online poll, 75 percent of experts surveyed believe that the elderly are “very vulnerable” to investment fraud and exploitation. This comprehensive survey was taken by more than 750 experts representing a variety of fields including state securities regulators, financial planners, elder law attorneys, academics, social workers, health care professionals, law enforcement officials and adult protective services. Seniors were targeted because they may have money to invest, had large amounts of equity in their home, possessed excellent credit, and had a greater chance of suffering from cognitive impairment that makes them particularly susceptible to investment fraud. The following are five tips on ways to avoid investment fraud and scams.

1. **If it sounds too good to be true...it probably is.** Be wary of over inflated returns on investment and understand that the market is inherently volatile – so invest wisely and at your own risk. Be skeptical of claims that the investment has little or no risk. Almost all investment products carry an inherent risk of loss. Don’t be fooled by the scam artist that claims their investment has “little or no risk.” Research all investment opportunities thoroughly before making any purchase decisions.
2. **Do not invest immediately.** Take time to understand the investment. No investment is so “hot” that it cannot be bought tomorrow.

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3. **Do you really know your broker?** Federal or state securities laws require brokers, investment advisers and their firms to be licensed and to make important information public. But it's up to you to find that information and use it to protect your investment dollars.
4. **Get more information about the investment in writing.** Never make a commitment orally, and not before reading the fine print.
5. **Do your research.** There is a wealth of information on various investments including annual and quarterly reports, press releases, industry reports, and competitive analysis. Most of this research information can be found on the internet for free.

Remember, at the Colorado Department of Regulatory Agencies – Consumer Protection is our Mission! You can determine if the investment is registered and the salesperson is licensed by calling the Division of Securities at 303-894-2320.

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